

UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UAC INSURANCE MUTUAL MINUTES, BOARD OF DIRECTORS MEETING

September 29, 1993, 12:00 p.m.
UAC Offices, S.L.C., Utah

Members Present: Gary Herbert, Utah County Commissioner
Gerald Hess, Davis County Deputy Attorney
Dixie Thompson, Emery County Commissioner
Max Adams, Uintah County Commissioner
Ken Brown, Rich County Commissioner
Sid Groll, Cache County Sheriff
Gary Sullivan, Beaver County Commissioner

Members Absent: Dennis Ewing, Tooele County Clerk
Ty Lewis, San Juan County Commissioner

Others Present: Brent Gardner, UACIM Administrator
Sonya White, UACIM Administrative Assistant
Dave Nelson, UACIM Loss Prevention Manager
Jess Hurtado, AIMS Vice President
Keri Chappell, AIMS Technical Assistant
Harry Bowes, UACIM Consultant
Doug Alexander, AIMS Branch Manager
Dean Bachman, AIMS Service Representative
Kent Sundberg, Utah County Deputy Attorney

Gary Herbert called the meeting to order at 12:20 p.m.

Minutes

The minutes for the UACIM Board of Directors meeting, held at the UAC Offices in Salt Lake on August 12, were reviewed. Max Adams made a motion to approve the minutes. Ken Brown seconded the motion. The motion passed unanimously.

PRIMA Mini Conference Report

A Public Risk Management Association (PRIMA) Mini Conference was held on September 20 and 21. Gary Herbert, Gerald Hess and Dixie Thompson of the Board of Directors attended. Also, David Nelson, Kent Sundberg, Jess Hurtado and Keri Chappell attended.

Gerald reported that he had a couple of concerns after attending the conference which were 1) the risk of private vehicles used for county business and 2) police pursuit. Concerning private vehicle use, the Board recommended that as David Nelson reviews each county, he survey the situation of private vehicle use and how the county's are overseeing this use in order to make general recommendations to the counties. Concerning police pursuit; again the Board recommended that David survey the counties as to their policy on this matter.

Gerald continued explaining a concept of "walk-a-round", which suggested that the county employees, beginning their shift, "walk-a-round" the county vehicle as to identify any dings, scrapes, etc. It was suggested at the conference that this procedure aided in getting rid of the "phantom accident" and that this may be a concept the counties should consider.

Gerald was also concerned about subrogation efforts by Aon Insurance Management Services (AIMS) for those claims where the counties are not at-fault. Doug Alexander assured the Board that subrogation is always pursued in those cases and that the only problem is that they need cooperation with the county attorney's to notify the courts of the rights to restitution in those cases where the at-fault party either does not have insurance or who may be under age.

Gerald also mentioned another interesting concept discussed was a "mission statement", for the Sheriff's department, that set forth the goals of the department. Sid Groll said that approximately half of the departments across the state have developed "mission statements."

Pursuant to the conference, Kent Sundberg reported that he thought it may be a good idea for the defense councils, working on claims, notify the county clients of the dates of depositions and other hearings so that the county clients could be in attendance to observe the defendants and key witnesses and to help them (defense council) evaluate the settlement. Doug said that this is being done. Kent continued by expressing that he felt it was important that whenever we request an evaluation from someone in county government that this be requested, in writing, by the county attorney, therefore, making it confidential and part of the attorney/client work product.

David felt that this conference was very beneficial and that there were many applications that he will be able to use.

Dixie Thompson expressed an importance in ordering a booklet that was discussed during the Sheriff's Risk Management meeting. David indicated that it has been ordered. David also added that he would like to have the gentleman that spoke at that meeting come into the counties and do some regional training. The Board recommended that David pursue getting this gentleman for training.

Gary Herbert addressed the concern of the Americans with Disabilities Act (ADA). David did send out a sample personnel policy & procedures manual for each county. David will follow-up with the counties to make sure each is pursuing these policies & procedures. Overall those who attended the conference felt it was very beneficial.

Joint Advertisement with AIMS

Brent addressed his concerns regarding the benefit and value of the Mutual being active in sponsoring some events to get the Mutual's name out in front of the counties. UACIM sponsored \$100.00 toward the UAC Legislative Golf Tournament. Brent gave some ideas that the UACIM could purchase small items such as pens with the Mutual's name on it to give out to the counties or to sponsor UAC at the annual convention with a prize or sponsor a session break that will get the Mutual's name on the program. Brent feels there needs to be some promotion work, not only for the members of the Mutual but for those counties who have not joined the Mutual. Brent gave an example that on their visit to Carbon County, who is not with the Mutual, they found that Carbon was in the process of taking bids on their insurance and that Carbon had not contacted the Mutual to bid. If they had not shown up when they did, the Mutual would not have gotten involved. Carbon County should have been aware that the Mutual is here and active if there are any questions or problems.

Gary Herbert questioned if it was appropriate for the Mutual to take funds and advertise in what ever form that may be? Ken felt that on a limited basis, that some kind of promotion would be beneficial, especially at the convention. Brent estimated the cost to sponsor at the convention could range from \$100 to \$2,500. Ken Made the motion to authorize UACIM to sponsor up to \$500 at the November convention for promotional purposes. Max seconded the motion. The Motion was opened for discussion. Gerald felt that \$500 was too high and Dixie felt that amount was not enough. The motion passed four-two.

Max and Sid both voiced that the satisfaction level of the counties is very valuable. David thought that a packet such as "What to do in case of an emergency" for the counties to keep in each vehicle may be beneficial. The Board agreed and David will pursue that.

Jess placed a joint advertisement with Aon Insurance Management Services and UAC Insurance Mutual in the Law Enforcement Journal. Jess felt the advertisement would be beneficial for the Sheriff's to see that the Mutual is active. AIMS paid for the add.

Broker Report

AIMS is continuing to work on the 1994 renewal but is missing applications from six counties. If they do not get the applications by the end of the week, they will take last year's data and increase it by 5% so the renewal can be sent to market. Everything for the renewal should be in place by November.

Jess handed out equity sheets, by county, showing the equity monies being set aside at this time. What AIMS proposes to do, is give each county a copy of their equity in the Mutual. Twenty percent of the equity has gone to surplus and another percentage has gone to the claims pool. The counties surplus equity in not in the fund and is not being used.

Jess reported on the fire district that was taken out of the Mutual by Emery County. AIMS calculated a rating policy for this fire district, i.e., vehicles that were taken out of the Mutual, and that Emery County would get a return premium of \$10,647. This would have to be approved by the Board to return that premium to Emery County. Dixie said they created the district and moved the vehicles from the Mutual into the district. Max made a motion to refund the 1993 premium in the amount of \$10,647 to Emery County. Gerald seconded the motion. The motion passed unanimously.

Copies of Tooele County and Box Elder County insurance proposals from other carriers were submitted to the Board. Harry handed out a case study comparison of policies of the Mutual and the Tooele proposal by Olympus Insurance Company and Clyde Allen Agency (see attachment #1). Basically, Olympus Insurance Company and Clyde Allen Agency obviously do not understand the Mutual's structure. Many of the statements in Allen Agency's proposal are false. The Broker and Administrator of the UACIM have been to these counties to rebut these proposals. The membership needs to be educated in how to read these proposals. Counties need to be aware that it is mandatory to bid their insurance each year but that the Mutual does the bidding for them through Jess, our broker.

Accounting Breakdown of Service Contracts

AIMS have given a letter to the Mutual stating that their fees would remain the same for 1994. A letter from Al Stein indicated that his fees would remain the same for 1994. The TPA fees are still in negotiations due to additional data needed to propose to Fred Medenwaldt, AIMS President.

Workers Compensation Survey

Loss data is still being gathered from the member counties in order to get a proposal for Workers Comp. AIMS are hoping to have a presentation by the November Membership Meeting. Gerald voiced his concerns about going slowly on Workers Comp to make sure we have a firm footing in the area we are in now. Jess said that Workers Comp needs to be financially viable before the Mutual will consider taking it on. Brent suggested that an advisory committee should look at the proposals that will be coming in and to be prepared to give the Board a recommendation at the November meeting (see attachment #2 for proposed list of committee members). Ken made the motion to approve the list proposed by Brent. Dixie seconded the motion. The motion passed unanimously.

Consultant Report

Harry passed out the time line and action plan of the Mutual (see attachment #3). Gary Herbert suggested that the time line and action plan be reviewed at the November membership meeting and that preparation be made to discuss and explain if something hasn't been done, why it hasn't been done.

Outline of November Membership Meeting

Harry reviewed a proposed draft of the agenda for the annual membership meeting. The next UACIM Board meeting was scheduled for November 4, so not to intervene with the membership meeting on November 10, from 3:00 to 5:00 p.m. Max suggested that a letter be sent to those registered for the convention to invite them to the membership meeting, with a dinner afterwards.

Loss Prevention Report

David stated that each Board member should be receiving the risk review reports on each county he has visited. The counties have been responding well to the recommendations. Gary Herbert noted and the Board agreed that David's work with Loss Prevention is one of the best benefits of the Mutual.

One question that arose during Sanpete County's risk review is that they thought they had boiler and pressure vessel coverage with the Mutual. This coverage is not provided by the Mutual and David suggested that the Board check within their own counties, for this coverage, and be aware that the counties need to get this coverage on their own. Keri added that AIMS will be sending a letter to the member counties to survey whether they have this coverage.

A Land Use Seminar is scheduled for November 11 from 9:00 to 4:00 in St. George. This seminar was coordinated with the Statewide Association of Public Attorney's and built right in to their agenda. This seminar is being funded by UACIM.

Gary DeLand is moving along with the jail standards. This is another area that the UACIM is being recognized for the funding of these revisions.

A Loss Prevention Personnel Committee Meeting was held on September 16. Discussed was the final training seminar for the year that deals with FLSA and sexual harassment. It was the committee's decision to put this seminar off until January 1994 and modify the training to include the FLSA and family medical leave act.

Corporate Account Authorization

A Board vote was needing for the signatures on the corporate account authorization for the First Security Bank Accounts. The names of the 1992 UACIM Board President and Vice President were still listed on the authorization. Dixie made a motion to approve Gary Herbert and Gerald Hess on the corporate account authorization. Ken seconded the motion. The motion passed unanimously.

Loss Summary and Financial Statement Review

Brent reviewed the Loss Summary and Financial Statement reports from AIMS for the month ending August 1993. The highlight of the review was that for 1993 the paid losses of the past eight months were \$197,000, which is over budget but this includes the \$50,000 Iron County sewer loss that has been recovered through subrogation. This will make the paid losses much more positive. Everything else is on track as is projected.

Gary Herbert was excused from the meeting and the chair was turned over to Gerald Hess.

Max made the motion for the Board to go into executive session to discuss the litigation committee and claims report. Dixie seconded the motion. The motion passed unanimously.

Ken Brown was excused during the executive session

Max made a motion to adjourn the executive session. Dixie seconded the motion. The motion passed unanimously.

The chair entertained a motion to authorize David to conduct sexual harassment training in Millard county. So moved by Max. Sid seconded the motion. The motion passed unanimously.

The chair entertained a motion to authorize Doug and Kent to draft a letter to defense council, to the effect that if they are helping us they shouldn't be suing us. So moved by Gary Sullivan. Dixie seconded the motion. The motion passed unanimously.

Chair entertained a motion to remove Jeff and Jeffs from the approved list of defense attorneys. So moved by Dixie. Gary Sullivan seconded the motion. The motion passed unanimously.

Chair entertained a motion for defense council, Rob Wallace, to endeavor to exclude Greg Sanders from pursuing claim number 801UIN937006. So moved by Sid. Max seconded the motion and the motion passed unanimously.

Dixie motioned to authorize Doug to settle claim #801UTA937023 in the amount of \$19,735. Max seconded the motion. The motion passed unanimously.

Other Business

Dixie explained Emery County's concern, involving the Mutual, and the great lengths that Emery County had gone to in trying to keep a termination from going to court. Defense attorney, Lynn Lund, spent approximately two days in the county trying to determine ways to terminate this employee without going to court. Emery County does not have in-house capabilities within the attorney's office to handle this problem. Emery County feels they should be reimbursed for Lund services since they had gone to such length to keep this termination out of court. Is Emery County to be punished since they do not have the in-house capabilities as some of the larger counties? UACIM has been authorizing up to \$200 for Lund's services for consulting.

Dixie explained another incident (potential claim) in Emery County, of an altercation with the Sheriff's department over a grievance procedure. What can we do, as a Board, to make sure that our different departments handle problems and not let them get out of hand? Gerald said that this problem was discussed at the Litigation Management Committee Meeting and what can be done, if anything, before a claim is filed. Kent said that training was stressed. Gerald suggested that these two items, especially preventative measures to avoid claims, be listed on the next meeting's agenda.

The meeting was adjourned at 2:50 p.m.

**UAC INSURANCE MUTUAL
MINUTES, BOARD OF DIRECTORS
EXECUTIVE SESSION**

September 29, 1993
UAC Office, S.L.C., Utah

Members Present: Gerald Hess, Davis County Deputy Attorney
Dixie Thompson, Emery County Commissioner
Max Adams, Uintah County Commissioner
Ken Brown, Rich County Commissioner
Sid Groll, Cache County Sheriff
Gary Sullivan, Beaver County Commissioner

Members Absent: Gary Herbert, Utah County Commissioner
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Others Present: Brent Gardner, UACIM Administrator
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Harry Bowes, UACIM Consultant
Doug Alexander, AIMS Branch Manager
Dean Bachman, AIMS Service Representative
Kent Sundberg, Utah County Deputy Attorney

Executive session was held to discuss the Litigation Committee and Claims Report.

**UAC INSURANCE MUTUAL
BOARD OF DIRECTORS MEETING**

Wednesday, September 29, 1993, 12:00 Noon

**Utah Association of Counties Offices
4021 South 700 East, Suite 180
Salt Lake City**

AGENDA

- 1. Luncheon**
- 2. Call to Order**
- 3. Review and Approval of August Minutes**
- 4. PRIMA Mini Conference Report**
- 5. Broker Report**
- 6. Workers Compensation Survey**
- 7. Accounting Breakdown of Services Contracts**
- 8. Joint Advertisement with AIMS**
- 9. Consultant Report**
- 10. Loss Prevention Report**
- 11. Corporate Account Authorization**
- 12. Loss Summary Review**
- 13. Review of Financial Statements**
- 14. Sponsorship at UAC Convention**
- 15. Outline of November Membership Meeting**
- 16. Litigation Committee & Claims Report**

WORKERS COMP ADVISORY COMMITTEE

Dennis Ewing
Steve Baker
Ross Blackham
Mike Callahan
Allen Jensen
Chad Johnson
Kent Peterson
Larry Ross
Steve Wall

Tooele County Clerk, *Chairman*
Davis County Personnel Manager
Sanpete County Attorney
Utah County Personnel Manager
Box Elder County Commissioner
Beaver County Commissioner
Emery County Commissioner
Duchesne County Commissioner
Sevier County Clerk-Auditor

INSURANCE PROPOSAL

FOR

TOOELE COUNTY
1994

Prepared By:

**OLYMPUS INSURANCE AGENCY
3269 SOUTH MAIN, SUITE 102
SALT LAKE CITY, UTAH 84115**

and

**CLYDE J ALLEN AGENCY
84 SOUTH MAIN
TOOELE, UTAH 84074**

Ronald L. Elton
September 20, 1993
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At the time the Utah Association of Counties Mutual was formed there was a great deal of discussion on the financial prospects of the Mutual. There were also many promises made in regards to the services, creation of equity, future premium reductions, and long term stability of the Mutual.


You now have an opportunity to review the actual financial performance of the Mutual and see if they measure up to the promises made and their initial optimistic financial forecast for the Mutual. The carrier continues to be thinly capitalized and very dependent upon their excess insurance carrier.

In recent years, the premiums for counties have continued to decrease, while the Utah Association of Counties Mutual faces ever growing premium increases to maintain their financial position.

Our carriers are also in a position to provide multi year rate assurance, generous coverage forms, and support services to assist in loss prevention.

We look forward to assisting you with your insurance needs.

Cordially,



Clyde J. Allen

CJA:ja

CLYDE J. ALLEN AGENCY

Insurance

84 SOUTH MAIN, TOOELE, UTAH 84074
Telephone: 882-2306

TOOELE COUNTY

1994 INSURANCE PROPOSAL

<u>Coverage Area</u>	<u>Company</u>	<u>Limit</u>	<u>Deductible</u>	<u>Premium</u>
General Liability	Reliance	\$1,000,000 / 2,000,000	\$1,000	\$34,759
Employee Benefits Liability*	Reliance	1,000,000 / 2,000,000	1,000 Per Employee	682
Property	Reliance	10,061,000	1,000	10,867
Automobile Liability	Reliance	1,000,000	-0-	36,546
Public Officials E&O*	Reliance	1,000,000	5,000	16,200
Law Enforcement	Reliance	1,000,000	2,500	15,120
Excess Liability	Reliance	1,000,000	Excess of Primary	9,600

aims Made Policy

TOTAL ACCOUNT PREMIUM

\$123,774

ALL PREMIUM QUOTATIONS ARE VALID FOR 30 DAYS

The proposed carrier is A- rated from AM Best Company,
which is one of the highest ratings available for insurance carriers.

The Association of Public Entities Risk Management Group, is the largest private carrier based municipal liability program within the State of Utah. At the present time a number of public entities under the same coverage program proposed for Tooele County. These would include Wendover, Kaysville City, South Salt Lake City, American Fork City, Lehi City, South Weber City, Monton City, Farmington City, Fruit Heights City and St. George City, to name a few. In addition, there are over 75 public entities in the Association of Public Risk Management Group.

Please review the attached material for an overview of the Association of Public Entities. You note from this material that the primary objective is to provide long term coverage and premium stability by selectively underwriting to primarily rural public entities, that have had better loss experience and by actively involving the members in the risk management process. You will also find attached an Association of Public Entities membership agreement, which outlines some of the basic principles of risk management that each member incorporates to enhance the long term stability of the program.

The insurance coverages offered in this proposal form are designed to complement and provide a harmonious transition from one coverage form to another. In addition, the risk management groups loss control services are designed to provide effective insurance support for all of the lines of coverage proposed. The individual insurance coverage sections proposed therefore cannot be altered, fragmented or substituted from the total insurance package. The coverages are offered as a package to provide the best possible range of municipal insurance service to our municipal clientele.

Conditions:

Acceptance of the risk management and loss control guidelines, which is confirmed through a signed Association of Public Entities membership agreement. A \$250 membership fee is included in the total quoted premium cost.

Premium Terms:

5% Deposit required to bind, and the balance within 30 days.

If extended financing is requested, alternative financing with a written finance agreement can be arranged.

LIABILITY

Reliance has custom designed liability policies which provide the broadest coverages available to public entities.

All of the policies are issued separately, creating individual policy limits, and aggregate limits for each policy. The policies are also designed to harmonize or complement one with another in the overall scope of municipal coverages. These include:

General Liability:

\$1,000,000/2,000,000 limit

All Premises and Operations

Employee Benefits Liability

Pay on Behalf of Contract

1988 Comprehensive Liability

Policies are on an Occurrence Basis

\$5,000 Premises Medical Expense Limit

Not Subject to Audit

Automobile Liability:

The automobile policies are issued with an insuring symbol 1, any auto. This means that liability coverage is automatically provided on any owned or acquired vehicle.

Many other municipal fleet carriers restrict coverage to scheduled or specified vehicles only, which means if you fail to report a newly acquired vehicle it may be uninsured.

PROPERTY

Reliance offers a number of special coverage enhancements, which are generally not included in property policies. These include:

- \$1,000,000 Newly Acquired or Constructed Buildings
- \$500,000 Newly Acquired Personal Property
- \$10,000 Building Property Off Premises
- \$10,000 Detached Outdoor Signs
- \$25,000 Valuable Papers and Records
- \$25,000 Accounts Receivable
- \$10,000 Incidental Locations
- \$10,000 Personal Effects
- \$5,000 Transit
- Glass Included
- \$20,000 Extra Expense coverage per occurrence
- \$5,000 Money and Securities coverage
- \$25,000 Media coverage
- \$25,000 Fine Arts coverage
- \$10,000 Cost of preparing an inventory or appraisal, as required after a loss
- Full coverage for loss caused by water that backs up from a sewer or drain
- Debris Removal Included
- \$10,000 Pollutant Clean up and Removal
- Preservation of Property Included
- Fire Department Service Charges Included
- Architect Fees Included
- Paved Surfaces Included
- Building Owner Included
- \$2,000 Lawns, Trees, Shrubs and Plants
- Recharging Included
- Brands and Labels Included
- \$5,000 Arson Reward
- \$1,500 Crime Reward
- \$25,000 Changes in Temperature
- \$2,500 Jewelry and Watches
- \$2,500 Fur and Fur Garments
- Patterns, Dies and Molds Included
- Loss Adjustment Included
- \$25,000 Ordinance or Law: Coverage B and Coverage C

PUBLIC OFFICIALS ERRORS & OMISSIONS

Reliance provides a very broad public officials E&O coverage. The policy covers elected, appointed and employed administrative personnel:

The coverage includes:

- CIVIL RIGHTS**

- EMPLOYMENT RELATED CLAIMS:
WRONGFUL TERMINATION,
NEGLIGENT HIRING**

- DISCRIMINATION (AGE, SEX, RACE)**

- LICENSES AND PERMITS**

- CURRENT AND PRIOR ACTS**

LAW ENFORCEMENT PROFESSIONAL LIABILITY

Reliance provides very broad law enforcement professional coverage. Their definition of personal injury includes:

- FALSE ARREST/FALSE IMPRISONMENT**
- MALICIOUS PROSECUTION**
- LIBEL OR SLANDER**
- DISCRIMINATION**
- IMPROPER SERVICE**
- VIOLATION OF PROPERTY RIGHTS**
- VIOLATION OF CIVIL RIGHTS**
- HUMILIATION**
- MENTAL DISTRESS**

Most other carriers only specify a portion of these items. Many carriers do not specify these items in the personal injury definition and add exclusions on intentional acts or intentional discrimination.

Overview of Statutory Capital Requirements

The UAC Mutual is offering coverage for property, vehicle liability, liability insurance and professional liability for nurses, convalescent facilities, and other related professional exposures of counties. According to statute UCA31A-5-211, the minimum capital and surplus of these lines of coverage are as follows:

Property Insurance	\$200,000
Vehicle Liability Insurance	400,000
Liability Insurance	600,000
Professional Liability	700,000
Excluding medical malpractice	
Total:	\$1,900,000

The Mutual is also required to maintain compulsory surplus in the amount of an additional "seventy-five percent of the minimum required capital or of the minimum permanent surplus in the case of nonassessable mutuals" (UCA 31A-17-302 (1)(a)). This would be an additional \$1,425,000 or a total of minimum capital and surplus and compulsory surplus of \$3,325,000.

After the formation of the UAC Mutual, the Insurance department waived the requirement for minimum capital and surplus on the vehicle liability insurance and the professional liability insurance, reducing the capital and surplus to \$800,000. With the compulsory surplus of \$600,000 and the minimum capital and surplus of \$800,000, UAC Mutual needs to have \$1,400,000 at the end of the third year and \$1,200,000 at the end of 18 months.

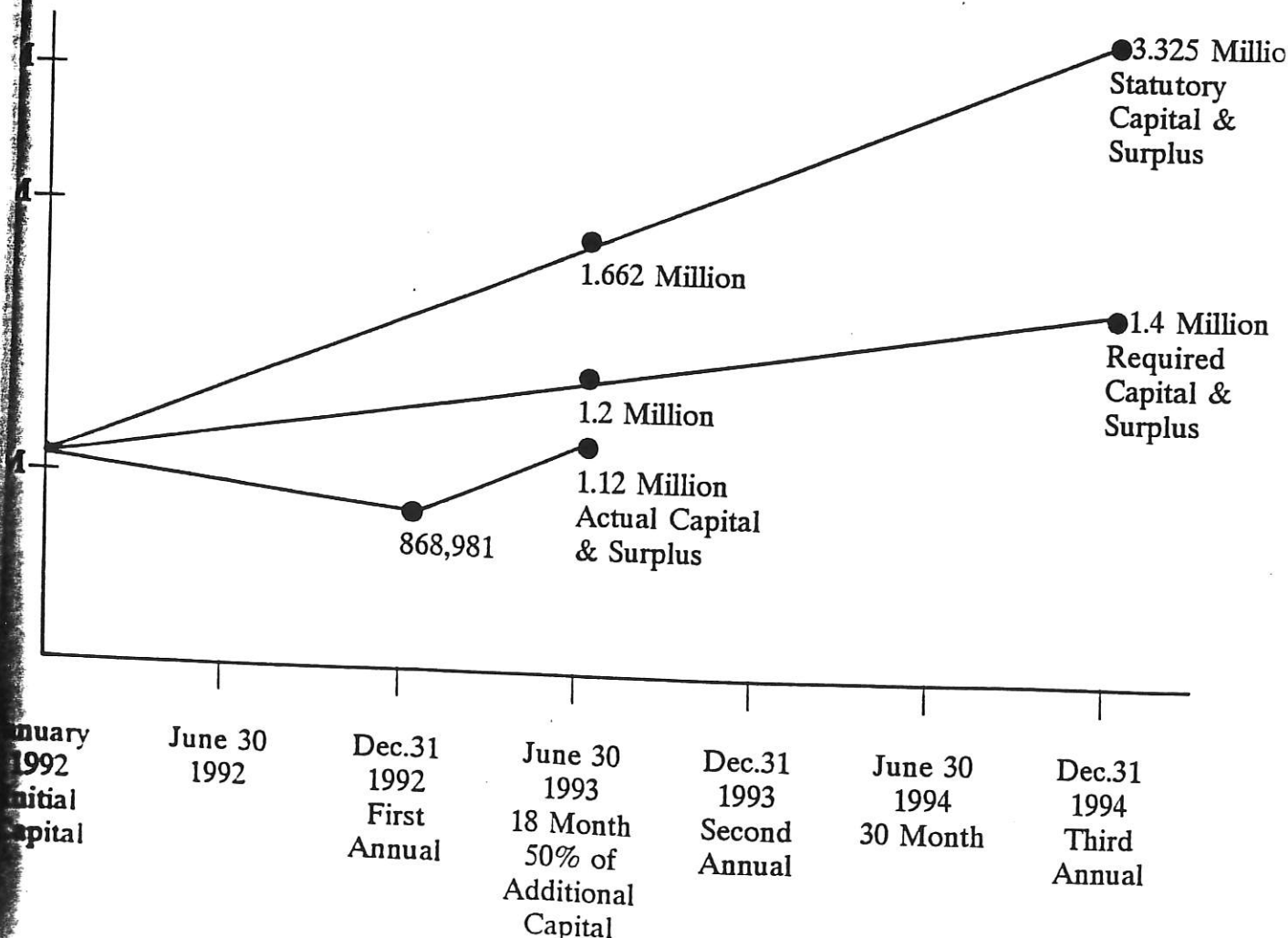
Utah Association of Counties Mutual Financial Position

At the time the Utah Association of Counties (UAC) Mutual was formed in January of 1992, the Mutual agreed with the Insurance Department, to phase in capital and surplus over a three year term.

The order from the Insurance Department stated, "In order to commence doing business, UAC Mutual shall have capital and surplus in the amount of \$1,000,000. The Department shall then determine the amount of minimum capital and surplus required of the applicant based upon the types of insurance applicant is writing. Fifty percent of the difference between the \$1,000,000 and the amount of minimum capital and surplus required by statute would have to be met within eighteen (18) months, and by the end of the third year the company would have to meet the statutory minimum capital and surplus requirements."

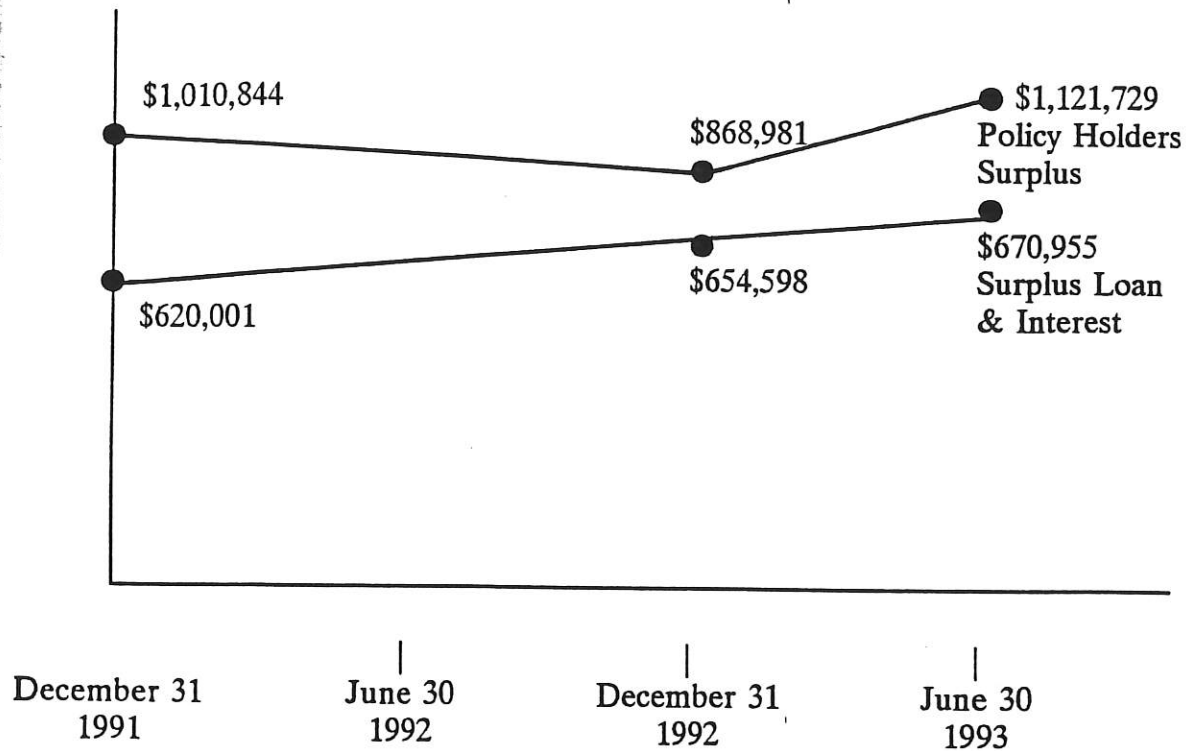
At the end of the first year of operation, the capital of the UAC Mutual dropped from \$1,010,844 at start up in January 1992, to \$868,981 at December 31, 1992. The surplus of the UAC Mutual eroded \$141,863 at a time when the surplus needed to increase. The 1992 annual statement also demonstrated that the carrier did not maintain the minimum required start up capital of \$1,000,000, and also did not increase capital to meet the phase in requirements. The June 30, 1993 statement, at the completion of 18 months of operations, showed an increase in surplus back to \$1,120,000 or approximately the same surplus and capital as at the start of the UAC Mutual.

UAC Mutual Required Capital



Utah Association of Counties Mutual Surplus

Creation Of Equity Relative To Surplus Loan and Interest



December 31, 1991	Surplus loan and interest represented 61.3% of total surplus.
December 31, 1992	Surplus loan and interest represented 75.3% of total surplus.
June 30, 1993	Surplus loan and interest represented 59.8% of total surplus.

Conclusion

1. The Utah Association of Counties Mutual is not developing additional equity or surplus, which means the mutual will not be in a position to assume greater levels of exposure or develop autonomy.
2. The Utah Association of Counties Mutual continues to be dependent upon the excess carrier National Union. If an increase in premium were to occur with National Union, the additional cost would be passed onto all Utah Association of Counties Mutual members. In the prior hard market in the mid 1980's, many Utah counties were insured with National Union. At that time the carrier increased premiums by 300% to 400%, and a few counties up to 1,000%.
3. Generally the best loss years occur in the first two to three years of a company, since it takes several years for claims to fully develop. If the Utah Association of Counties Mutual is underwriting at less than break even, 114% combined ratio for the first year, in all likelihood the loss expense will be greater in future years, creating the need for additional premium increases.
4. Most pools offset the regional or homogeneous risk exposure with superior loss control services. It does not appear that the Utah Association of Counties Mutual has sufficient funds to implement a comprehensive loss prevention program, which will reduce their overall claims expense.

Summary

At the start of the Utah Association of Counties Mutual, many counties were promised long term premium savings, which would occur through superior loss prevention services. Many counties have indicated that they have received few loss control services, and it also appears that additional premium will need to be collected to maintain pool operations and to meet the minimum capital and surplus mandated by the insurance department.

Since the financial results of the Utah Association of Counties Mutual are available for the first 18 months of operations, it is no longer necessary to speculate about financial projections, and the Utah Association of Counties Mutual services. A review of the past performance is an excellent basis to determine if the Utah Association of Counties has delivered up to the expectations formed when the mutual was created.

BOWES

Bowes Associates, Inc.

UTAH ASSOCIATION OF COUNTIES

WORKER'S COMPENSATION MUTUAL Time Line and Action Plan 1992-1993

STATUS	ACTION
	June, 1992
x	- preliminary discussions with the UAC and UACIM Boards
	November, 1992
x	- approval of feasibility study
	- Board approval to conduct a survey of members
	January, 1993
x	- surveys mailed to UAC member counties
	May, 1993
x	- follow-up on questionnaire
	July, 1993
x	- surveys completed
	August, 1993
o	- information compiled to go to market
o	- requested letter of authority on loss information
o	- contact Insurance Division for approvals
o	- deadline for application and copies of all policies and loss information (December 1, 1993)
o	- underwriting information prepared and released to reinsurer
	October, 1993
o	- selection of advisory board
o	- written proposals from broker and service providers
o	- advisory board meeting
o	- preliminary feasibility study and budgets prepared
o	- revised time-line and action plan
o	- selection of legal advisor
o	- preliminary review of regulatory requirements
o	- review of sample pool policy by legal advisor

- 0 - review of bylaws
- 0 - review of budget
- 0 - reinsurance quote to broker

November, 1993

- 0 - advisory board meeting
- 0 - approve budgets
- 0 - review of regulatory requirements
- 0 - release of application to prospective participants
- 0 - revised time-line and action plan
- 0 - workshop meeting all participating counties (officials and staff)

December, 1993

- 0 - meeting with insurance division
- 0 - advisory board meeting
- 0 - contribution allocation approved by board
- 0 - brokerage agreements, administrators agreements, service agreements approved by the Board
- 0 - review of prospective member list in order of commitment
- 0 - comparison of coverage to existing policies by individual county
- 0 - broker proposal to advisory board approved on final pool structure and prices
- 0 - final budget for all prospective participants
- 0 - proposals released to individual counties including financial, structure, service and coverage comparisons
- 0 - resolution prepared for board adoption by county
- 0 - insurance department approval
- 0 - Individual counties adopt bylaws and resolution
- 0 - deadline for resolution
- 0 - invoices released
- 0 - binders released to member counties
- 0 - organizational meeting
- 0 - election of board

